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2011 Unemployment Insurance Tax Rates to Increase

JUNEAU, Alaska—Most Alaskan employers will see an increase in their state unemployment insurance (UI) tax rate. The average UI tax rate for calendar year 2011 is 1.87 percent, compared to 2010's 1.31 percent. This rate includes a three-tenths (0.3 percent) Trust Fund Solvency Adjustment.

“The 2011 tax rate is the fifth lowest in 31 years, despite the heavy demand for unemployment benefits over the past couple of years,” Labor Commissioner Click Bishop said. “Alaska’s UI tax serves a dual purpose for Alaska’s economy: providing UI benefits that partially replace wages to workers during temporary periods of unemployment and stabilizing the economies of communities during economic downturns.”

Alaska is one of three states (along with New Jersey and Pennsylvania) in which employees also fund the UI Trust Fund, with workers paying 27 percent of the benefit costs and employers paying 73 percent. For 2011, workers will pay 0.58 percent, up from 0.50 percent in 2010, up to the taxable wage base. Alaska’s average annual wage increased from \$45,443 in 2009 to \$46,173 in 2010 setting the taxable wage base at \$34,600 for 2011, a \$500 increase from 2010. Total wages of covered employers in Alaska grew .15 percent during state fiscal year 2010, from \$10.609 billion in SFY 2009 to \$10.625 billion in SFY 2010.

Even with increased demand on the Alaska UI Trust Fund, the September 30, 2010, balance was more than \$256 million, compared with many other states whose UI Trust Funds are not solvent and are borrowing from the federal government in order to pay benefits.

The UI tax rate for Alaskan employers is determined by a formula in state law. The three determining factors in the formula are the UI trust fund balance, the amount paid out in regular state unemployment benefits and the amount of wages paid to employees of taxable employers.

Over the past three years, Alaska has been paying more in unemployment insurance benefits due to the state of the economy. Annual UI tax rate notices are mailed to employers in the first part of December.

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